

**Iowa Telecommunications & Technology Commission  
Grimes State Office Building, 1st Floor  
400 E. 14th Street, Des Moines, IA 50319**

**FINAL**

**January 19, 2012**

To ensure the most efficient use of State resources, the January 19, 2012, ITTC meeting had some video conference calls pursuant to Iowa Code section 21.8. Video conference calls ensure more Commissioners are able to participate in the meeting and reduce the risk of delays caused by weather or other impediments to travel. The meeting was accessible to members of the public through attendance at the Grimes State Office Building.

**Commissioners Present**

Betsy Brandsgard, Chairperson (on-site)  
Richard Bruner, Member (on-site)  
Robert R. Hardman, Member (via video-conference)  
Tim Lapointe, Member (via video-conference)  
David A. Vaudt, Ex-Officio Member (on-Site)

**Commissioners Absent**

Shannon Cofield, Member

**Iowa Communications Network Staff Present:**

Dave Lingren, Executive Director  
Joseph Cassis, Chief Communications Officer  
Will Walling, Network Operations and Engineering Director  
Phil Groner, Business Services Manager  
David Marley, Network Operations and Engineering Manager  
Mark Johnson, Administration Director  
Deb Evans, Finance Manager  
Jontell Harris, Information Specialist 1  
Lori Larsen, Public Relations Officer  
Tami Fujinaka, Government Relation Officer  
Alexis Slade, Executive Secretary (Recorder)

**Guests:**

Fred Eastman, Midwest Rural Telemedicine Consortium (MRTC)  
Rob Smith, Fiberutilities Group  
Jerry Romine, Fiberutilities Group  
Meghan Gavin, Attorney General's Office  
Rachel Gillum, Attorney General's Office

**Call to Order**

Commissioner Brandsgard called the meeting to order at 10:01 am. It was noted that a quorum of members was present for the meeting.

**Approval of the 11/17/2011 Meeting Minutes**

Commissioner Bruner moved to approve the November 17, 2011, meeting minutes; Commissioner Hardman seconded the motion: A roll call vote was taken. Minutes approved unanimously.

Commissioner Hardman– Yes  
Commissioner Lapointe – Yes  
Commissioner Bruner – Yes  
Commissioner Brandsgard – Yes

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*Approved at the March 15, 2012, ITTC Meeting*

## **Old Business**

### **BTOP Grant Update – Joe Cassis**

The project is on schedule, on budget and is meeting Community Anchor Institution (CAI) completion targets. The American Recovery and Reinvestment Act (AARA) report for the fourth quarter was submitted on time. The Annual Performance Report (APR) and quarterly Performance Progress Report (PPR) are both due by January 30, 2012. There have been a couple additions to the APR that require the ICN to include network maps to show what progress was made and where.

Equipment installation began on November 30, 2011, and cutting over to customers began on December 2, 2011. Two hundred and forty three (243) installations have been completed and 171 sites out of 1,487 have been migrated. The BTOP team has drawn down, from the \$16.2 million awarded, approximately \$5.7 million, which places the project at the 33 percent mark of the 67 percent that must be spent by June 30, 2012. The Infeasible Rights of Use (IRU's) with Paetec for 340 fiber optic leases have been signed and 277 have been completed.

ICN has two grant sub-recipients:

- The Decorah MetroNet awarded their construction bid and the ICN has been working with them to meet the Davis-Bacon requirement, which has to do with wages.
- The Meskwaki Nation or Sac and Fox tribe has extended their Request for Proposal (RFP) deadline for construction to January 20, 2012, because of new information.

Outreach to inform the citizens of Iowa about the BTOP project continues. ICN staff participated in the Iowa Association of School Board conference held at the Hy-Vee Center in Des Moines, IA. Information regarding the BTOP project was also featured in ICN's Annual Report.

## **New Business:**

### **Financial Updates – Deb Evans**

Hard copies of the financial reports were distributed to those in attendance. The following major points were discussed during the meeting:

### **MATERIAL NOTES**

ICN made the decision to discontinue the maintenance contract with Alcatel-Lucent for Asynchronous Transfer Mode (ATM) switch equipment in November 2011. This removed \$400,000 of Year to Date (YTD) accrued expense from the maintenance budget. The total amount of \$1,300,000 budgeted for Fiscal Year (FY) 2012 will be reviewed and re-allocated to different areas.

### **OVERALL**

The ICN produced \$772,391 in net cash from operations and \$263,237 in net cash after equipment expenditures.

### **VOICE SERVICES**

Voice revenue is 6.42 percent below budget; all categories of voice services are contributing to the decline. This revenue is from ICN's 800 numbers, long distance, voice conferencing services, and calling cards. Both revenue and expenses are going down, but revenues are going down faster so ICN's margins are dropping faster. The ICN is looking into alternative methods for providing voice services and is exploring the possibility of bidding out these services.

### **INSTALLATION REVENUES**

Install revenues are \$74,303.17 below expenses. Finance is in the process of a review to identify the discrepancy and hope to have an answer for the Commission within the next month (February 2012) or so.

#### **INDIRECT and GENERAL & ADMINISTRATIVE EXPENSES**

Network maintenance expenses for Paetec (now Windstream) is 12.59 percent below budget because 991 technician hours have been applied to the BTOP budget. Outside plant expenses are 45.01 percent above budget. Locates and relocates are 45.72 percent above budget.

ICN's indirect expenses for outside plant are rapidly rising. Locates and "Iowa One Calls" are up due to construction for road work, etc.

Q. Will these constructions continue?

A. ICN's fiber locates in November 2011 were above average for the year. ICN usually conducts about 26 to 30 locates in one year and we've already had 25 in November 2011. There are a lot more construction projects this year therefore resulting in more locate requests and fiber cuts that have to be repaired by the ICN. The highest number of locate requests in one year ICN has ever had prior to this year was 20. ICN usually averages 15 fiber cuts a year and we had 27 in 2011 and of those 21 were contractor cuts. When a fiber cut happens the ICN gets about 78 percent of that lost revenue back from contractors.

Some of ICN's maintenance expenses did go down because of things we're doing with the Network, but Paetec continues to be a big part of ICN's maintenance expenses. The cost of maintenance provided by Paetec makes up 60 to 70 percent of ICN's entire maintenance expenses. The contract ICN has with Paetec ran out of renewals at the end of CY 2010 and the only option was to make a four-year contract, which went into effect in January 2011. This new agreement came with a 15 percent increase built into the contract. At the time ICN was unable to create an RFP to find an alternate provider, so we had to go with that four-year agreement. ICN also has increased Moves, Adds and Changes (MAC) work order activity due to the BTOP project which has increased expenses.

#### **WORK ORDERS**

ICN's revenues are approximately \$8,000 ahead after disconnects from the installs and the net. Sixty-one (61) percent of the revenues are from voice orders and 38 percent are data orders.

#### **Legislative Session Update – Mark Johnson**

Lingren and Johnson have begun meeting with legislators and have so far met with Senator Mathis. As they meet with legislators they'll be updating them on the RFP process, ICN's budget, Iowa Rural Healthcare Telecommunications Program and responding to any questions the legislators may have with respect to the Network. Lingren and Johnson hope to meet with all the legislative representatives that were on the RFP Implementation Team (RIT) for a follow up discussion. ICN has its first and potentially only committee presentation on January 24, 2012, with the Infrastructure Appropriation Sub-Committee. ICN will discuss the equipment appropriation request and the Regional Telecommunications Committee (RTC) appropriation funds that the Governor recommended be managed by the ICN. The appropriations were being managed by IPTV, but now ICN is moving into that role.

Q. Is push back expected from the legislature or the community on the RTC appropriations being managed by the ICN?

A. No. ICN will also inform the telecommunication community so they are aware of the change.

#### **Sale/Lease RFP – Dave Lingren**

After House File (HF) 45 - section 8 was passed during the 2011 Legislative Session the ITTC received directions to write a RFP for the sale/lease of ICN but did not receive detail about what that meant. ICN wrote a report that was presented to the legislative caucus leadership, the Governor's office, the State Auditor's office and to the Department of Management (DOM). The goal of this report was to create a starting point for the Request for Proposal (RFP) to Sale or Lease the ICN. As a result the RFP Implementation Team (RIT) was created to allow stakeholders to be involved in the preparation of writing the RFP.

Major issues were identified and discussed during the RIT meetings (See "RIT Meeting" attachment). One issue involves Right-of-Way (ROW) costs. For example, ICN currently pays \$1 for ROW to the Department of Transportation (DOT) to place the fiber that runs along Interstate 80. If a non-government entity bought the ICN, they'd have to pay approximately \$3 million a year for that ROW. ICN also has fiber termination points in locations such as community colleges and county court houses, and by state code do not have to pay collocation fees. A private entity purchaser of the ICN may also have complications with certain locations ICN houses fiber if they are unable to enter into a collocation agreement. Another possible issue could be if the US Department of Defense (DOD) would not allow a non-government entity to be housed at the Joint Forces Headquarters (JFHQ) location in Johnston. The ICN's JFHQ location includes the hub where all fiber redundantly terminates from ICN's network. Moving the hub outside of JFHQ will not be an easy or inexpensive task.

Another major topic of discussion was the possibility of leasing the ICN. After discussions during the RIT meetings it became clear that leasing the ICN would only change who manages the State-owned asset. In the case of a lease, it is unclear how that would benefit the State. Also, the advantages the State has of not paying taxes or ROW fees will remain because it would still be governmentally owned. Furthermore, HF 45 - section 8 did not resend what is in Iowa Code Chapter 8D in relation to the limit of an authorized user should the state still own the asset. If the ICN is leased, to change that rule legislation would have to be passed to open the Network to any user. This legislation would need to be passed during the current session in order to be written into the RFP. These are all complications and issues that were raised in the RIT meetings.

Q. What are you hearing from the telecommunication groups? Are you getting any feedback from them at all?

A. Yes. The larger users (Century Link, Windstream) are at the most risk because it's a statewide backbone network that's potentially being sold or leased. The larger users are the ones who also provide those kinds of services, not the independent telecoms.

Q. While I have tremendous concern about both the sale and lease there seems to be more issues with a lease. Am I correct in saying that?

A. Both models raise concerns. If the goal of the State is to get out of the telecommunications business then a lease doesn't accomplish that goal because the state would still own the ICN. The benefits for a state-owned asset compared to a privately owned asset would remain. There's also the issue of opening the Network to customers that aren't currently authorized users. The State could run into a problem if access to the Network is opened because if at some point the State decides to again manage the ICN, they would be a competitive carrier.

Q. Has a specific timeframe for a lease been set?

A. No, that was discussed in the RIT because HF 45 does not specifically address timeframes. HF 45 says a purchaser or lessee must provide a lower cost of service to authorized users, but it does not say for how long. The assumption would be that lower costs must be provided for however long the lease is and then the lease could be renegotiated at that time. During the RIT meeting timeframes for a lease were discussed and the consensus was that it should be for five years.

**Representation on the Broadband Governance Board (Action) – Dave Lingren**

The Broadband Governance Board has been inactive for some time. Under the previous administration there were funds set aside by legislature for this board to allocate if an approved Iowa entity received a matching grant from the stimulus grants the Federal Government was paying. However, as the budget started getting tighter those funds were removed from the budget, so the board no longer had a purpose. Representatives are still on the board but Connect Iowa is taking over the role and forming another committee that has adapted some of the Broadband Governance work. At the time Lingren became the Interim Executive Director he was unable to participate on the board, so the Commission was asked to allow Deputy Director Cassis to represent the ICN on the board. Now that Lingren is officially the Executive Director, it would be appropriate for the Commission to re-assign Lingren to the board.

Commissioner Hardman moved to assign Executive Director Dave Lingren as ICN's representative on the Broadband Governance Board; Commissioner Bruner seconded the motion: A roll call vote was taken. The reassignment was approved unanimously.

Commissioner Hardman– Yes  
Commissioner Lapointe – Yes  
Commissioner Bruner – Yes  
Commissioner Brandsgard – Yes

### **Strategic Planning Update – Dave Lingren**

ICN has made some changes to the 2011-2014 Strategic Plan. This updated plan will be filed with the DOM.

The following goals are being modified:

- 1) Operate the network in an efficient and responsible manner providing the most economical services.
  - a. The due date for strategy 1, evaluate the Intalio software, has been changed to June 30, 2012. The entire project is being delayed because of issues with software. Also, the contracted employee working on this project is no longer available for ICN's use.
  - b. The due date for strategy 2, developing costing reports to assist service delivery with pricing decisions by selecting costing method(s) to allocate direct and indirect expenses to services, has been changed to June 30, 2013. Because the way the network was built ICN doesn't have cost accounting that can identify the cost of that product, so ICN is trying to find an efficient way to do that.
- 2) Ensure customer network capacity needs are met while achieving optimal utilization of all network facilities.
  - a. Maintaining effective and efficient network operating systems by determining replacement/upgrade options for Customer Line Records (CLR) database is very manual today. ICN did put out an RFP to have a vendor automate this process. A vendor was selected and then backed out. The project has been placed on hold while the ICN is exploring the possibility of using internal staff to automate this process. The due date for tactic 1 of strategy 2 has been moved to June 30, 2012.
  - b. Tactic 4, finalize replacement/upgrade options for change, release and incident management, of strategy 2 is going to be delayed because of the inability to get the software needed to go from Service Desk to Service Manager. ICN is trying to partner with DOT and the Department of Administrative Services (DAS) on this endeavor. To date ICN hasn't received an answer from them, but has made the decision to move forward with this project whether DOT or DAS partners with the ICN or not. ICN's license for Service Desk ends this calendar year (2012). The deadline for tactic 4 has changed to June 30, 2012.

### **Video Service Project Update – Phil Groner**

ICN is currently working with two new early adopters; Iowa Central Community College and North Iowa Community College and each have implemented four IP video sites online this month (January 2012). The Video Service Project (VSP) technical team has about 95 percent of the core polycom implemented and the 5 percent remaining will be completed by the end of July 2012. ICN can move to the next step, which is the limited market offering, without that five percent being completed. The limited market offering phase is scheduled to begin on May 1, 2012. With this phase ICN will transition out of the early adopter phase and allow customers to be a part of the VSP on a case-by-case basis. Users would be on the network and all rates would be applied at that point. There may be some service level changes to do, but after the limited market offering phase there can be general availability. General availability is slated to begin in the Fall of 2012.

### **IP Video Service Project Rates (Action) – Phil Groner**

Some ICN customers have expressed concerns about paying for IP video conferencing in the future because currently they do not pay for it. The model ICN has today is that the originator/scheduler of the content is the one who pays the per-hour use rate. The concern is, when ICN goes to the IP model they will have to pay for the usage regardless if they are the originator of the content or not. There are three primary designs ICN developed for the IP video rates:

- Using an ROI. The ICN needed to find a way to get a margin and have an ROI in the video platform which we don't have today.
- Second was offering different options to customers. Today customers have one model payment, which is an hourly per site rate. ICN wanted to provide options for customers so they have a choice of what fits for them.
- Third ICN wanted to encourage adoption of the new platform so that we could phase out the old platform as soon as possible.

Although ICN had some negative feedback on the rates there was some good feedback from customers who liked the rates. ICN wants to keep the newly developed model whole because it is a good rate plan.

ICN proposed that current MPGE users remain an MPEG site if they do not want to use the IP platform. ICN's gateways will allow interoperability between MGEG and IP users. The customers staying with MPEG will continue to pay the MPEG hourly rate schedule. The MPEG user as a remote site will not have to pay anything for that session. The risk of that is it will lengthen the time ICN has MPEG on our network. Part of the IP strategy is that as the MPEG usage goes down ICN will eliminate that platform from the network. If ICN backs away from pushing an end to MPEG there will be more of a natural termination of that technology in the network.

The IP video rates were also reviewed by the Education Technology Commission (ETC). The only concern they had was with the hourly IP rate model seeming a little high. The MPEG rate right now is \$60 per hour. However, there may be E-rates, State subsidies and supports that may be applied to that rate therefore bringing that hourly cost down. The IP rate model is a raw rate so it does not include possible discounts, which is what ICN pointed out to the ETC. In talking with the Midwest Rural Telemedicine Consortium (MRTC) about the IP rate model they had some different concerns. MRTC has a very different network than some of the other education users. MRTC has a lot of end points to support and so their concern was with the cost and having to pay on a per site basis. ICN expressed to the MRTC that they could utilize one of the many options we have under the IP model for different scenarios. They can have an unlimited usage rate plan, tiered, hourly or they can mix and match options as well.



Finally, customers wanted assurance they had further opportunities to provide input to the ITTC about future rates. The Commission will treat IP video rates the same as the MPEG rates. There will be an annual approval of the rates, so the ICN will solicit any input from customers during that time period which happens every September. ICN's recommendation to the Commission is that the IP video rates be approved as submitted back in September 2011, un-modified with the acceptance of allowing those who want to stay an MPEG site to do so.

Q. What would be the effective date for these rates?

A. The rates will take effect when ICN moves into the limited market offering and out of the early adopter phase, so as of now the effective date will be May 1, 2011. For most of the education users that rate will be effective on July 1, 2012, because that's when their e-rate cycle begins. They can use the service now but they wouldn't have e-rate subsidization until the contract with e-rate is approved.

Q. Does the ICN have any projection of how soon or how many customers will migrate from the current system to IP video?

A. That modeling was completed and will be provided to the Commission.

Q. What is the ICN doing, and what can be done, to further incent users to move from the outdated technology to the new technology? Is ICN educating users on the benefits of the new technology we can provide to incent them to move away from MPEG?

A. Lingren is working on a white paper to reinvent the ICN and in that it's really making the point that ICN has the same fiber but is evolving in all the things we can do. Lingren plans to present more on this philosophy to the Commission by the next meeting.

Commissioner Hardman moved to approve the Video Service rates; Commissioner Bruner seconded the motion: A roll call vote was taken. The Video Service rates were approved unanimously.

Commissioner Hardman— Yes  
Commissioner Lapointe — Yes  
Commissioner Bruner — Yes  
Commissioner Brandsgard — Yes

### **Other Business:**

### **2012 Meeting Dates**

If the Commissioners have any conflicts with those dates inform Fujinaka at your earliest convenience and she'll try to accommodate any scheduling conflicts.

### **Adjournment**

Commissioner Bruner moved that the meeting be adjourned; Commissioner Lapointe seconded the motion: With there being no further business, the ITTC meeting adjourned at 11:17 am.

ATTESTED TO:



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Betsy Brandsgard, Chair, Iowa Telecommunications and Technology Commission

